

Requested Information (TRAC)

At the September 30, 2009, a TRAC commissioner asked that the following information related to SC's tax cap on cars be gathered and presented at the next meeting. Specifically:

1) What would the effective sales tax rate be on a \$56K car without local taxes?:

SC = 0.54% (no local tax imposed)

NC = 3.00% (no local tax imposed)

GA = 4.00% (they also impose a local tax of 3% for a total of 7%)

2) How much would SC raise if the car cap was removed cars were taxed at the NC or GA level (excluding local tax)?:

NC taxes at 3%, no cap – if we did here, we'd generate an additional \$28.6M*

GA taxes at 4%, no cap (excluding local) – if we did here, we'd generate an additional \$66.7M*

*Per the BEA's FY10 estimates contained in their "South Carolina Revenue Sources and Fiscal Impacts" publication

Motor Vehicle Sales Tax

Summary

Statute: 12-36-2110

Date Enacted: 1984

Date of last changes: 1984 (capped at \$300)

Rate: the lesser of 5% of sale or \$300

Current Distribution: General Fund

Fiscal Year Estimated Collections 1/

FY10 \$ 85,800,000

FY10 Fiscal Impacts as a Result of Change in Current Law

Revenue Generated From Incremental Increases in Sales Tax Cap on Motor Vehicles With the Sales Tax Rate at 5 Percent

Sales Tax Cap (Dollars)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
\$400	\$103.5	\$17.7
\$600	\$132.0	\$46.2
\$800	\$152.7	\$66.9
\$1,000	\$166.3	\$80.5
\$1,200	\$175.0	\$89.2
\$1,400	\$180.6	\$94.8
\$1,600	\$184.1	\$98.3
\$1,800	\$186.3	\$100.5
\$2,000	\$187.6	\$101.8

Revenue Generated From Replacing the Sales Tax Cap on Motor Vehicles With a Sales Tax on Total Value of Vehicle

Sales Tax (Percent)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
1%	\$38.1	(\$47.7)
2%	\$76.3	(\$9.5)
3%	\$114.4	\$28.6
4%	\$152.5	\$66.7
5%	\$190.7	\$104.9
6%	\$228.8	\$143.0

Note: The \$300 sales tax cap is revenue neutral at 2.3% sales tax rate.

1/ Sales tax revenue on motor vehicles is not kept by Department of Revenue.

Sources of data: South Carolina Dept. of Motor Vehicles; North Carolina Dept. of Motor Vehicles.

Note: All calculations made by the Board of Economic Advisors.

Table 3

**Additional Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Combination of Exempting
Vehicle Value and Adding a Sales Tax**
(Figures are in Millions)

Sales Tax (Percent)	Exemption of Vehicle Value (Dollars)			
	\$1,000	\$5,000	\$10,000	\$15,000
5.0	\$103.1	\$84.9	\$57.0	\$27.0
4.0	\$65.3	\$50.8	\$28.4	\$4.4
3.0	\$27.5	\$16.6	(\$0.1)	(\$18.1)
2.0	(\$10.2)	(\$17.5)	(\$28.7)	(\$40.7)
1.0	(\$48.0)	(\$51.7)	(\$57.3)	(\$63.3)
			\$20,000	\$25,000
			(\$7.6)	(\$33.4)
			(\$23.2)	(\$43.9)
			(\$38.9)	(\$54.4)
			(\$54.5)	(\$64.9)
			(\$70.2)	(\$75.3)

Table 4

**Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Combination of Exempting
Vehicle Value and Adding a Sales Tax**
(Figures are in Millions)

Sales Tax (Percent)	Exemption of Vehicle Value (Dollars)			
	\$1,000	\$5,000	\$10,000	\$15,000
5.0	\$188.9	\$170.7	\$142.8	\$112.8
4.0	\$151.1	\$136.6	\$114.2	\$90.2
3.0	\$113.3	\$102.4	\$85.7	\$67.7
2.0	\$75.6	\$68.3	\$57.1	\$45.1
1.0	\$37.8	\$34.1	\$28.5	\$22.5
			\$20,000	\$25,000
			\$78.2	\$52.4
			\$62.6	\$41.9
			\$46.9	\$31.4
			\$31.3	\$20.9
			\$15.6	\$10.5

Notes: All calculations made by the Board of Economic Advisors.

The \$300 sales tax cap currently amounts to an estimated \$85.8 million.

Sources: S.C. Division of Motor Vehicles; N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.

Table 5

**Additional Revenue Generated From Removing the Sales Tax Cap on Motor Vehicles
and Replace With Exempting Specific Value of the Motor Vehicle and Applying a
5 Percent Sales Tax to Any Remaining Value of the Motor Vehicle**

(Figures are in Millions)

Exemption Value (Dollars)	Change in Current Sales Tax Revenue (Millions)
\$1,000	\$103.1
\$2,000	\$98.8
\$3,000	\$94.4
\$4,000	\$89.6
\$5,000	\$84.9
\$6,000	\$76.2
\$7,000	\$71.5
\$8,000	\$66.9
\$9,000	\$62.1
\$10,000	\$57.0
\$11,000	\$51.8
\$12,000	\$46.3
\$13,000	\$40.4
\$14,000	\$34.0
\$15,000	\$27.0
\$16,000	\$19.6
\$17,000	\$12.2
\$18,000	\$5.1
\$19,000	(\$1.5)
\$20,000	(\$7.6)
\$21,000	(\$13.2)
\$22,000	(\$18.9)
\$23,000	(\$24.0)
\$24,000	(\$28.9)
\$25,000	(\$33.4)

Note: All calculations made by the Board of Economic Advisors.
The \$300 sales tax cap currently amounts to an estimated \$85.8 million.

Sources: S.C. Division of Motor Vehicles; N.C. Division of Motor Vehicles;
S.C. Code of Laws, 1976.